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Telephotographic statement; News items

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accounts generally is unsound from the point of view of economics.*

2. Appreciation does not increase capital, except in cases of newly discovered value, and of increased intangible or other asset values which are supported by indisputable earning power.

3. Appreciation should not be recognized unless it is justified by newly discovered value, or by increased value in use. Value in exchange does not justify its recognition.

4. Appreciation is not recognized by the profit economy, which requires that there shall have been a closed transaction before gain or loss may be determined.

5. The recognition in accounts of appreciation as creating a realized and distributable asset value is contrary to common law, and to some statutory law.

6. Profits, ascribed to appreciation, are excluded from income which is subject to Federal taxation.

7. Appreciation does not give rise to surplus which may be distributed in the form of cash dividends.

8. Appreciation does not give rise to earned surplus.

9. Appreciation may not be shown as having given rise to surplus of any character, without danger of being misleading.

10. Appreciation should not be given effect in a balance sheet, except as an estimate of unrealized value, in the nature of a reserve which may be shown either on the side of the liabilities or as a deduction from the corresponding asset. If shown on the side of the liabilities, it should appear above the capital section of the balance sheet, and in any event should be described as "Unrealized appreciation," "Unearned appreciation," or by means of some caption equally clear and accurate.

11. The theory that appreciation may be recovered out of earnings by increasing the charge for depreciation is erroneous.

12. The amount corresponding to depreciation of appreciation periodically deducted from unrealized or unearned appreciation, in cases where effect has been given to appreciation, should be applied as an offset in reduction of the charge for depreciation, so that the effect on net profits will be the same as if the charge for depreciation had been based on the value of the property prior to the introduction of appreciation. Stated differently, depreciation of appreciation should be charged against "Unrealized appreciation."

Telephotographic Statement

OUR New York Broad Street office recently sent a financial statement by the telephotographic system of the American Telephone & Telegraph Company to our Los Angeles office. This statement was a schedule of securities held by a New York bank for the account of a certain corporation, giving the number and market values of the various securities held on each of three dates. It was of considerable size, covering slightly more than one ordinary working sheet. The time required was approximately one and one-half hours from the time the statement was placed in the hands of the transmitter until it was delivered to our Los Angeles office. The cost of sending it by telephotograph was considerably less than it would have been to have sent it by telegraph. Obviously, the result was much more satisfactory. The New York Broad Street office was enthusiastic over their first experience in using the telephotographic process.

News Items

Colonel Carter and Mr. Kracke recently returned from Europe on the S.S. *Majestic* of the White Star Line.

Colonel Carter was reëlected vice-president of *The Accountants Club of America*, at its annual meeting on November 19, 1928, at New York.

*A study of the subject of "Appreciation" by graduate students under Professor A. C. Littleton, in the College of Commerce and Business Administration, University of Illinois.

Mr. Reik is making a tour through South America, visiting our clients there, and the offices of Messrs. Deloitte, Plender, Griffiths & Co. with whom we are affiliated. At date of this writing, he is in Rio de Janeiro. His itinerary to date has been as follows:

S. S. *Vandyck*, October 27, left New York; November 17, arrived in Buenos Aires; from there to Santiago, Valparaiso, and Montevideo; and from Montevideo to Rio de Janeiro by steamer.

It is interesting to note that Mr. Reik had planned to leave Buenos Aires on the S. S. *Vestris*, which came to disaster while on its scheduled voyage from New York to Buenos Aires. From Rio de Janeiro, Mr. Reik expects to go to Sao Paulo and Santos, and sail from Rio de Janeiro on the S. S. *Voltaire*, January 6, arriving in New York, January 23, 1929.

Mr. G. P. Leonard and Mr. J. A. MacKinnon sailed from Vancouver, November 17, 1928, on the *Empress of Russia*, on an assignment to the Orient. Mr. Leonard will be connected with our Manila office, and Mr. MacKinnon will be on the staff of our Shanghai office.

Mr. Tilton, of our Detroit office, delivered a radio address over station WJR, on Tuesday, November 27, 1928, at 7:30 P.M., on the subject, "Duties of a Public Accountant."

Mr. Tilton was recently appointed by the president of the Michigan Association of Certified Public Accountants as chairman of the committee to formulate suggestions and coöperate with the Union Trust Company of Detroit in a program of publicity, setting forth the desirability of employing public accountants, which the Union Trust Company proposes to finance. The above address was a part of this program.

In a letter to *The American Accountant*, which appears in the December, 1928, issue of that magazine, Mr. Bell com-

mented on the possibility of a wider use of the descriptive form of balance sheet.

Mr. Bell has been appointed a member of the Special Survey Committee on Inventory Verification of the New York State Society of Certified Public Accountants.

At a meeting of the Society of Certified Public Accountants of the State of New Jersey, on November 21, 1928, Mr. Bell spoke on the subject, "The Viewpoint of the Accountant on Accountants' Reports."

Mr. P. L. Shobe, of our San Francisco office, received the John F. Forbes Medal for 1927-28 from the California State Society of Certified Public Accountants, November 14, 1928. This medal is given each year to the individual who passes with highest credit the California C. P. A. examinations. About three hundred candidates were examined. Mr. Shobe is to be congratulated upon his success.

Our San Diego office has been moved to the John D. Spreckels Building.

Effective December 1, 1928, Mr. C. A. Gaylord, of our San Francisco staff, became manager of our San Diego office, and Mr. Paul R. Seng, of our San Diego staff, became assistant manager of the office.

Mr. P. C. Davis, manager of our Seattle office recently was elected secretary of the Seattle Arctic Club.

Mr. A. F. Wagner, manager of our Minneapolis office, presented a paper on "Classification of Services Rendered by Public Accountants" at a meeting of the Minnesota Society of Certified Public Accountants held on Tuesday evening, October 23, 1928, at the Minneapolis Athletic Club.

The supplemental report of the Special Committee on Arbitration of the American Society of Certified Public Accountants, of which Mr. Dunn is chairman, appeared in the November issue of *The Certified Public Accountant*.